

Afonso Vieira: Pension time bomb

Afonso Vieira:
More brains than
money can buy



the wire

Traditional state pension systems and social security benefits in western countries are disappearing. If you don't plan now, at pensionable age you will have no chance to make up for any mistakes of the past.

The two fundamental demographic trends – increased life expectancy due to advances in medical research, and falling fertility rates in economically successful countries – have dramatically increased the proportion of population above retirement age.

Some countries are already making changes to tackle this “pension time bomb.” Germany has raised the state pension age and Italy is considering doing the same. But what can you do?

■ TAKING CONTROL

As with most things in life, it's about being realistic, planning ahead and ensuring your own financial future is mapped out. So set-up your own pension

plans now and start preparing a reasonable nest egg for the so-called “golden years” and unforeseen expenses.

The earlier you start saving, the harder your money can work and help reach your financial goals. One of the best ways to save is by making automatic regular contributions into a savings plan.

■ HOW MUCH SHOULD I SAVE?

There's no hard and fast rule to the question, “How much money do I need to save annually until I retire?” It all depends on seven variables:

- *Years until retirement*
- *Years expected to be in retirement*
- *Desired annual net income during retirement*
- *Current net savings*
- *Expected annual inflation rate*
- *Expected annual net rate of return on investments before and after retirement*

Create your own retirement calculator using Excel. If you

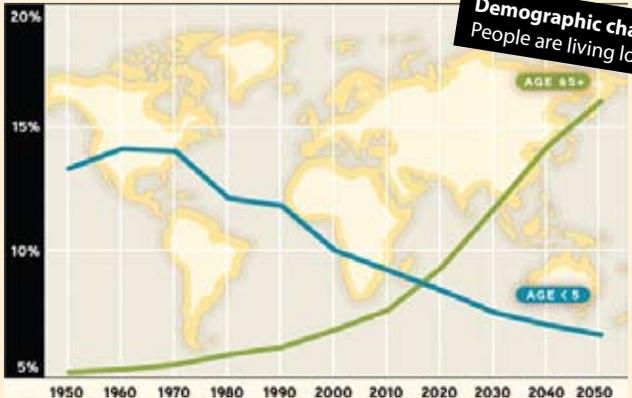
don't have time, browse the Internet for free retirement calculators or contact me. Calculate how much you need to save annually for retirement, add extra savings for unexpected setbacks like a job loss, a serious medical condition, or an expensive divorce.

After this, choose a safe investment plan for your money. You have access to several providers based in highly regulated offshore financial centres

that carry tax efficient savings and retirement plans. Three of the largest providers are Aviva (Singapore), Hansard (UK Channel Islands), and AIG (Luxembourg).

Remember, building up a nest egg is a marathon, not a sprint.

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The World Population Prospects, 2004 Revision - United Nations Department of Economic and Social Affairs, 2005.



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